

ABSTRACT

A method of managing the risk of uncertainty of the future price levels of real estate property pursuant to a Back-End-Loaded Participatory Real Estate Equity Protection Contract or “BPREEPC.” One part of the invention grants the property owner the right to receive compensation in the event of a decline in the real estate index of the metropolitan area where the property is located. The property owner can only exercise this feature of the invention upon sale of the property to a third party. The amount of compensation equals a proportion of the value of the property as appraised at or about the time of the purchase of the put option, where the proportion is determined by the proportionate decline of the real estate market index, and where the amount of compensation may be capped at a certain amount. Another part of the invention grants the property owner a participatory payment upon sale of the property or at the end of the term of the BPREEPC in the event of an increase in the real estate index of the metropolitan area where the property is located. Such participatory payment may be a fixed amount as specified in the BPREEPC or may be determined as a certain rate of fee payable for the BPREEPC or a certain rate of the index appreciation since the purchase of the BPREEPC, where the maximum participatory payment may be capped at a certain amount. Under yet another part of the invention, the property owner is entitled to a non-exercise payment during the term of the BPREEPC in case the owner does not exercise the put option feature of the invention in the event of a decline of the real estate index of the metropolitan area where the property is located. Yet another feature of the invention involves the payment of a fee to the seller of the BPREEPC where such fee is payable upon the earlier of the sale of the property to a third party, or the refinancing of the mortgage loan that was entered into by the property owner for the purpose of acquiring the property.